

Mutoro Group Partners, LP
Second Quarter 2020 Letter

August 13, 2020

“It’s important therefore to know who the real enemy is and to know the function, the very serious function of racism, which is distraction. It keeps you from doing your work. It keeps you explaining, over and over again, your reason for being. Somebody says you have no language and so you spend twenty years proving that you do. Somebody says your head isn’t shaped properly so you have scientists working on the fact that it is. Somebody says that you have no art, so you dredge that up. Somebody says you have no kingdoms, so you dredge that up. None of that is necessary. There will always be one more thing.”

– Toni Morrison (1975)

“But over the years, no amount of wealth, education or prestige has distracted me from the discrimination, prejudice and segregation of opportunity that America’s communities of color endure. In my years on Wall Street, I have been doubted, discounted and judged reflexively on the basis of my skin color. The past few months have exposed our societal failures even further. We must heed the call to dismantle the inequality that makes careers such as mine the exception — rather than the rule.

“In finance, firms owned by white men manage 98.7 percent of the \$69 trillion managed by the U.S. asset management industry. Similarly, 88 percent of senior fund managers are white and even analysts and associate managers, more junior positions, are more than 70 percent white. When it comes to the Federal Reserve, the State Department, the legal profession or myriad other fields, extraordinary qualifications are required for blacks to compete at the same level as their white colleagues.”

– Eddie Brown (2020)

	Q2 2020	YTD	Since Inception	Annualized
Mutoro Group Partners, LP (Gross)	30.13%	6.55%	59.55%	8.86%
Mutoro Group Partners, LP (Net)	28.30%	4.62%	36.02%	5.75%
S&P 500 (Total Return)	20.54%	-3.08%	68.62%	9.96%
HFRI Fund Weighted Composite Index	9.01%	-3.49%	14.95%	2.57%

Dear Partner,

For the six months through June 30, 2020, the fund finished up 4.62% net of all fees and expenses. Our gross return before my incentive compensation and the fund’s management fee was 6.55%. On a gross level the fund rose 30.13% in the second quarter, a larger gain than our 29.99% increase for all of 2019. Since inception (January 1, 2015) the fund is up 59.55% on a gross level, which translates to an annualized gain of 8.86%. This compares favorably to an index of peer funds, which shows the typical fund has risen 14.95% in aggregate or 2.57% annually over this time frame. We still slightly lag the S&P 500. It has risen 68.62% since inception (versus our 59.55%), which is an annualized gain of 9.96% (versus our 8.86%). I believe we will overtake it eventually.

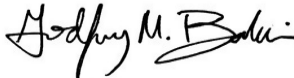
One might expect me to be surprised by our strong performance given how volatile the markets have been this year. But that would not be true. While I am surprised by the speed with which the markets rose in Q2, I am not surprised that we are ahead of them this year. That is a feature of our strategy. Since my first letter in 2015, our cash management strategy set us up to have a high likelihood of doing well in this sort of environment. In my First Quarter 2015 Letter, I wrote, “As markets presently reach new highs, we are biased toward cash because it allows us to benefit from future investment opportunities created by pessimistic headlines and falling prices.” Similarly, I started my 2018 Annual Letter writing, “Because we currently have a meaningful portion of our portfolio in cash, and because we would like to put that cash into more attractive long-term investment opportunities, in the near-term, falling securities prices are probably great for us.” If the first half of the year was great for us, it is for two reasons: (1) we kept our cool and held on to the great businesses we entered the year owning; and (2) while most were panic selling in late March, we actively added new positions and increased our stakes in existing holdings. We started the year with nine portfolio holdings, and at the half-way point we had 14. In Q2, I added a position in a Company R, which you can read about in the Limited Partner Addendum after this letter.

The exhibit below shows the composition of our portfolio at the end of Q2:

Cash and Cash Equivalents	9.0%
European Public Equities	14.3%
<u>U.S. Public Equities</u>	<u>76.7%</u>
Total Portfolio	100.0%

If the pandemic and economic lockdown were the main stories of March and April, it is fair to say that the anti-racist Black Lives Matter movement has been the main story since then. As a proud Black American I could probably write an entire book about my experiences navigating predominately white environments, whether classes and athletic fields in high school, an elite college as an undergrad, or the world of high finance as a professional in investment banking and investment management. I am not going to do that right now. Instead, I’d like to thank you, my Limited Partners, who have contributed a portion of your wealth to making this fund possible. Many non-Black people claim they are anti-racist. They might cite various actions they have taken that they think reveal how their actions match what they claim is in their hearts. But many of the actions they cite are free, easy, and too often meaningless; they serve more to assuage their own guilt than to rectify the economic inequality at the bedrock of nearly all forms of racism. Through continued economic actions we change that, whether through being an actual customer of a variety of Black businesses, hiring and retaining Black staff, funding the ambitions of Black people, and more. I could go on. The economic action you took by becoming a customer of The Mutoro Group and trusting in me, a Black entrepreneur and investor, is outstanding in part for how rare it is. You should be proud of that. I am of you. In return, we have shared results thus far that many would covet, especially this year. I hope to continue to reward your partnership over the long-term.

Sincerely,



Godfrey M. Bakuli
Managing Partner